

AMENDED IN ASSEMBLY MAY 2, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1239

Introduced by Assembly Member Garrick
(Coauthors: Assembly Members Jeffries and Karnette)

February 23, 2007

An act to amend Section 74 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 1239, as amended, Garrick. Property taxation: exclusion from newly constructed: fire safety devices.

(1) The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. For purposes of this limitation, "full cash value" is defined as the assessor's valuation of real property as shown on the 1975–76 tax bill under "full cash value" or, thereafter, the appraised value of that real property when purchased, newly constructed, or a change in ownership has occurred. The California Constitution authorizes the Legislature to exclude from classification as "newly constructed" the construction or installation on or after November 7, 1984, of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement, as defined by the Legislature. Existing property tax law implementing this exclusion provides that the exclusion only applies to the construction or installation of these items in an existing building.

This bill would ~~instead~~ provide that this exclusion from "newly constructed" *also* applies to the construction or installation, on and after the operative date of the bill, of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress

improvement in ~~any~~ a new building. This bill would also specify, for purposes of this exclusion, that “the construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement” includes the construction of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement in a new building in which the owner-builder incorporated the fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement in the initial construction of the building and the owner-builder does not intend to occupy the building. In the case of a new nonresidential building, this bill would specify that “fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement” does not include such items that are required by law to be included in the new building. This bill would require the county assessor to reduce the base-year value of these buildings by the value of such items, as specified. This bill would require the State Board of Equalization to prescribe the manner and form for a taxpayer to claim this exclusion.

(2) By requiring county officials to implement new criteria regarding the fire safety device exclusion, this bill would impose ~~as a~~ state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

(3) Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

(4) This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 74 of the Revenue and Taxation Code is amended to read:

74. (a) For purposes of subdivision (a) of Section 2 of Article XIII A of the Constitution, “newly constructed” does not include the construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement that is constructed or installed on or after November 7, 1984.

(b) Notwithstanding any other provision of this chapter or Chapter 3.5 (commencing with Section 75), neither “newly constructed” nor “new construction” includes the construction or installation of any fire sprinkler system, other fire extinguishing system, fire detection system, or fire-related egress improvement that is constructed or installed on or after November 7, 1984.

(c) For purposes of this section:

(1) “Fire sprinkler system” means any system intended to discharge water for the purpose of suppressing or extinguishing a fire, and includes a fire sprinkler system that derives its water from the domestic water supply of the building or structure of which it is a part.

(2) “Other fire extinguishing system” means any system intended to suppress or to extinguish a fire other than by discharging water upon the fire. An “other fire extinguishing system” includes, but is not limited to, a component or application that, solely or primarily for the purposes of fire suppression or extinguishment, is made part of the heating, ventilating, or air-conditioning system of a building or structure, a wet chemical system, or a dry chemical system.

(3) “Fire detection system” means any system or appliance intended to detect combustion, or the products thereof, and to activate an alarm or signal, whether audio, visual, or otherwise, including all equipment used to transmit fire alarm activations and related signals to a remote location. A fire detection system includes any system that serves additional functions, but this section shall only apply with respect to that portion of a system that is for fire detection purposes. No portion of a fire detection system as described in this paragraph shall be deemed to be personal property, or shall be deemed to be excluded from that

1 fire detection system, by reason of being owned or controlled by
2 a person other than the owner of property upon which the fire
3 detection system was constructed or installed.

4 (4) “Fire-related egress improvement” means any improvement
5 intended to do either of the following:

6 (A) Provide any new, or improve any existing, means of egress
7 for individuals from a structure, or any portion thereof, in which
8 a fire is in progress, as to which there is an imminent threat that a
9 fire may soon be in progress, or as to which individuals therein
10 might be subjected to health hazards or the risk of physical injury
11 due to a fire elsewhere.

12 (B) With respect to individuals who for any reason cannot
13 evacuate a structure in which a fire is in progress, provide a means
14 of safeguarding, or increasing the safety of, those individuals until
15 the time that the rescue of those individuals can be effected.

16 (5) “Existing building” means any building or structure already
17 erected at the time that a fire sprinkler system, other fire
18 extinguishing system, fire detection system, or fire-related egress
19 improvement is constructed or installed in that building or structure.

20 (d) Any system or improvement referred to in this section shall
21 be deemed to have been constructed or installed on or after
22 November 7, 1984, if the actual construction or installation thereof
23 is completed on or after November 7, 1984, regardless of when
24 the actual construction or installation thereof was commenced or
25 any building permit pertaining thereto was issued.

26 (e) ~~(1)~~—This section applies only to fire sprinkler systems, other
27 fire extinguishing systems, fire detection systems, and fire-related
28 egress improvements, as defined in this section, that are constructed
29 or installed in an existing building.

30 ~~(2) On and after the operative date of the act that added this~~
31 ~~paragraph, this section applies to fire sprinkler systems, other fire~~
32 ~~extinguishing systems, fire detection systems, and fire-related~~
33 ~~egress improvements, as defined in this section, that are constructed~~
34 ~~or installed in any building on and after the operative date of the~~
35 ~~act that added this paragraph.~~

36 (f) *(1) On and after the operative date of the act that added this*
37 *subdivision, this section applies to fire sprinkler systems, other*
38 *fire extinguishing systems, fire detection systems, and fire-related*
39 *egress improvements that are constructed or installed in a new*

1 *building that is completed on and after the operative date of the*
2 *act that added this subdivision.*

3 *(2) For purposes of this subdivision, “the construction or*
4 *installation of any fire sprinkler system, other fire extinguishing*
5 *system, fire detection system, or fire-related egress improvement”*
6 *includes the construction of any fire sprinkler system, other fire*
7 *extinguishing system, fire detection system, or fire-related egress*
8 *improvement incorporated by the owner-builder in the initial*
9 *construction of a new building for which the owner-builder does*
10 *not intend to occupy. The exclusion from “newly constructed”*
11 *provided by this paragraph applies to the initial purchaser who*
12 *purchased the new building from the owner-builder. The assessor*
13 *shall administer this paragraph in the following manner:*

14 *(A) The initial purchaser of the building shall file a claim with*
15 *the assessor and provide to the assessor any documents necessary*
16 *to identify the value attributable to the fire sprinkler system, other*
17 *fire extinguishing system, fire detection system, or fire-related*
18 *egress improvement included in the purchase price of the building.*

19 *(B) The assessor shall evaluate the claim and determine the*
20 *portion of the purchase price that is attributable to the fire*
21 *sprinkler system, other fire extinguishing system, fire detection*
22 *system, or fire-related egress improvement. The assessor shall*
23 *then reduce the new base-year value established as a result of the*
24 *change in ownership of the building to reflect that portion of the*
25 *value attributable to the fire sprinkler system, other fire*
26 *extinguishing system, fire detection system, or fire-related egress*
27 *improvement.*

28 *(3) For purposes of this subdivision, in the case of a new*
29 *nonresidential building, “fire sprinkler system, other fire*
30 *extinguishing system, fire detection system, or fire-related egress*
31 *improvement” does not include a fire sprinkler system, other fire*
32 *extinguishing system, fire detection system, or fire-related egress*
33 *improvement that is required by law to be included in the new*
34 *building.*

35 *(4) The extension of the new construction exclusion to a building*
36 *shall remain in effect only until there is a subsequent change in*
37 *ownership of the building.*

38 *(5) The State Board of Equalization shall prescribe the manner*
39 *and form for claiming the new construction exclusions required*
40 *by this subdivision.*

1 SEC. 2. Notwithstanding Section 2229 of the Revenue and
2 Taxation Code, no appropriation is made by this act and the state
3 shall not reimburse any local agency for any property tax revenues
4 lost by it pursuant to this act.

5 SEC. 3. If the Commission on State Mandates determines that
6 this act contains costs mandated by the state, reimbursement to
7 local agencies and school districts for those costs shall be made
8 pursuant to Part 7 (commencing with Section 17500) of Division
9 4 of Title 2 of the Government Code.

10 SEC. 4. This act provides for a tax levy within the meaning of
11 Article IV of the Constitution and shall go into immediate effect.